

**STATE OF WASHINGTON
OFFICE OF STATE TREASURER
STATEWIDE SECURITIES CUSTODY
QUESTIONNAIRE**

The following questionnaire must be completed and included with your response to the RFP. This questionnaire has been prepared to obtain responses to questions concerning your firm's capability to provide the services identified in Section II of the offering document.

Limit your response for each question to one or two pages. Some questions can be answered with a brief response. Type your responses in the same order as the questionnaire, listing the question first followed by your answer.

FIRM NAME: _____

ADDRESS: _____

TELEPHONE NUMBER: _____

FACSIMILE NUMBER: _____

CLIENT CONTACT: _____

SIGNED: _____

Name (print): _____

Title: _____

Date: _____

SECTION I - ORGANIZATIONAL BACKGROUND**A. Organization**

1. Provide a brief history of the firm that includes the following:
 - Year of organization
 - Year of initiation of custody business
 - Development of major business lines
 - Nature of firm's ownership
 - Nature of relationships with affiliated companies or joint ventures
2. Provide details of the financial condition of your organization including the firm's short and long-term credit ratings over the past five years. Including copies of the five most recently audited annual reports will fulfill most of this requirement. Describe any material changes to your organization in the last five years, including acquisitions and mergers.
3. (A) Describe your organization's historical and current commitment to the custody business especially pertaining to public funds.

(B) Describe your commitment to providing custody services to public fund clients in Washington State.
4. With regards to the Washington Statewide Custody Program, what distinguishes your firm from your competitors?
5. In the event of a merger or acquisition, describe your plans as they relate to your custody customers. Summarize the business plan for the next five years.
6. Provide a brief explanation and indicate the current status of any litigation, investigation by a regulatory authority, contingent liabilities, or other legal proceedings involving your company or any officer or principal over the past five years. Please include a description of all pending legal and regulatory activity.
7. How many domestic, municipal, fixed income clients do you have and what is the average and median size of those clients?
8. Provide information (e.g. name of client, portfolio size, reason for termination) regarding terminated tax-exempt institutional master trust / master custody client relationships over the past three years.

B. Internal Controls and Risk Management

9. Have there been any negative audit findings, NASD or SEC involvement, or any other sanctions against your firm in the last five years?

_____Yes _____No

If you answered yes to the above question, what was the resolution?

10. Do you have procedures for notifying your clients of any sanctions, findings, or changes in credit rating?

☐ Yes ☐ No

If you answered yes to the above question, please outline those procedures.

11. Do you provide assurances through a third party letter that internal control reviews are being conducted in compliance with the Statements on Auditing Standards?

☐ Yes ☐ No

If you answered yes to the above question, please provide a copy of the most recent report.

12. Do you have an internal audit staff that consistently evaluates all controls, systems, and risks associated with master trust / master custody services?

☐ Yes ☐ No

If you answered yes to the above question, please describe the frequency and scope of these audits as they relate to master trust / master custody services.

13. What would you provide statewide custody clients or their auditors' with regards to access to the working papers and reports of the external reviews/audits?

14. Describe the various types of insurance coverage and indemnification provided to protect clients of service(s) proposed, including risk coverage, carriers, insurance levels, limitations, and deductibles.

15. Are investment securities held by your organization so they are not subject to the claims of creditors against your organization?

☐ Yes ☐ No

If you answered yes to the above question, describe how this is accomplished.

16. Briefly describe your practice of reviewing and updating documented policies and procedures for custody services.

SECTION II – SERVICES

A. Administration and Client Relations

17. What is your organization's philosophy on customer service, particularly as it applies to servicing your mid-market client base? How is the philosophy communicated to employees and how is it monitored for customer satisfaction? What forums do you use for client evaluations and how are comments provided by clients acted upon by senior management?

- 18. THIS QUESTION IS VERY IMPORTANT! PLEASE GIVE A COMPLETE, DETAILED RESPONSE!**

(A) Describe your proposed approach to servicing individual participating entities in the statewide securities custody program.

(B) How do you propose to encourage local entities to execute the model contract with you if you become the statewide custody provider? Who would do that work? Please include their resume(s).

(C) List the proposed team that would be responsible for the custody relationships, including the Relationship Manager and the Daily Account Administrator(s). The Daily Account Administrator(s) is the person(s) that clients would deal with on a daily basis for trade processing and settlement and cash confirmation purposes. If different Daily Account Administrators handle cash management and trade processing, please answer for both positions. Include for each position:

- Name and title
- Location
- Is the person an officer of the bank?
- The role of the position within the relationship
- Detailed resume including background, experience, and number of years within your firm
- Hours of availability

(D) Provide the above information for the individual(s) providing back-up for the Daily Account Administrator.

(E) Has this team worked together before on custody relationships?

_____ Yes _____ No

If yes, for how long?

(F) Would this team service other accounts?

_____ Yes _____ No

If yes, how many?

(G) Discuss the following aspects of your custody services for the statewide custody program:

- Inquiry and problem resolution processes;
- Conveying information on available services;
- Training in the use of the services and systems access;
- Training in accounting for new investment vehicles and implementation of new accounting standards;
- Help desk (if any);
- Quality control of products and reports;
- Availability of a toll-free number for the daily account administrator; and,
- Availability of a toll-free facsimile number.

19. Provide an organizational chart, including the areas responsible for: a) client service, b) trade settlement, c) accounting, and d) systems development. **Include enough detail to show the level in your organization where those four areas converge.** Include all members of the day-to-day client service team and highlight these members on the organizational chart.

B. Trade Settlement and Custody

20. Is your institution a direct participant of The Depository Trust Company of New York and The Federal Reserve System?

_____ Yes _____ No

What was your annual number of transactions, for each, processed in 2010?

What was the dollar volume of transactions, for each, processed in 2010?

21. **THIS QUESTION IS VERY IMPORTANT! PLEASE GIVE A COMPLETE, DETAILED RESPONSE!**

(A) Describe your procedures for processing trade instructions for both a Fed Book-Entry purchase and sale for a client utilizing actual settlement. Provide a detailed flow-chart which begins with receiving trade instructions from a client and follows the flow of information, securities, cash, and the posting of that trade into the accounting system. Be sure to include information as to when the account would be debited or credited for the cash. Demonstrate the extent of your straight-through processing by distinguishing which steps in the process require manual input and which are automated.

(B) Describe your procedures for processing trade instructions for both a DTC (i.e., commercial paper) purchase and sale for a client utilizing actual settlement.

22. In what ways may clients in the statewide custody program relay trade instructions to you?

_____ Phone

_____ FAX

_____ Electronically

23. Will all trades be settled on a delivery-versus-payment (DVP) basis, only upon the receipt of valid trade instructions from the client?

_____ Yes _____ No

Describe any instances in which you would deviate from this method of settlement.

24. Will you provide settlement of trades on an actual settlement basis?

_____ Yes _____ No

25. Describe your procedures, including timing (for notification), tracking and resolving failed trades, and for reporting failed trades to clients.

26. Describe your procedures and capabilities for settling and accounting for same-day cash trades, including Pacific Standard Time cutoff times for these transactions.
27. Discuss your policy and procedures for assuring that each client's investment securities and cash are properly held in safekeeping and positions are accurately maintained in your accounting records
28. Describe your system for registration and custody of assets, including depositories used, level of interface.

C. Cash Management

Generally, statewide custody clients will maintain a zero end of day balance in their account(s). However, there will be occasions where a positive balance does exist, i.e., in the case of a purchase fail or unanticipated income payments. In those cases, either the cash will be wired to the local entity or invested in a statutorily eligible investment vehicle, at the option of the local entity. Interest-bearing demand deposit accounts are an option if the custody provider is also a qualified public depository in Washington State. Otherwise discrete investments, segregated by client, must be purchased. Eligible investments that may be utilized by state and local governments are governed by state statute, e.g., RCW 43.84. Money market funds or other similar types of vehicles are not eligible investments. The publication "Eligible Investments for Public Funds" is available on the OST web-site at: http://www.tre.wa.gov/documents/inv_elig.pdf

Will you provide a statutorily eligible short-term investment option for cash balances that may exist?

_____ Yes _____ No

If you answered yes to the above question, please describe your proposed options for overnight investment on behalf of the participating entities. Include a description of your process (including cutoff times) of maintaining full investment (i.e. a daily "sweep") of cash balances for all accounts of participating entities. Describe how the interest rate for overnight investments will be determined, how often interest will be credited, and when it will be paid.

29. For those participating entities that require a daily wire as opposed to a daily sweep, describe this process, including cutoff times.

D. Reporting and Reconciliation

30. Provide an example of your cash forecast reports. By what method(s) could clients receive those reports and when are they available?
31. Will you provide statewide custody clients advance notification of calls and other non-scheduled securities-related payments, e.g floater and step-up bond interest payments, and will this be made within one business day of the bank receiving notification?

_____ Yes _____ No

If yes, how will notifications be made to the statewide custody clients.

32. (A) Is daily pricing of securities available?
_____ Yes _____ No (if no, what frequency of pricing is available?)
(B) Describe your source(s) for security pricing.
(C) By what method(s) could this information be transmitted to the clients?
(D) Can a download of the pricing file to clients systems; e.g SYMPRO be possible at least on a end of month basis?
33. (A) What reports are provided by your system - daily, monthly, quarterly, annually and by exception? Please provide a summary listing of these reports and copies of sample reports.

(B) By what method(s) could clients receive those reports and when are they available.
34. Are you able to provide GASB 31 compliant reports? If so, provide an example.
35. (A) Describe your on-line systems and workstation capabilities for clients with regard to the timing of on-line data available by electronic delivery, for view, manipulation, downloading of standard or customized reports, download of data files, and report writer and ad-hoc query access.

(B) Is client information updated via real-time or a batch method?

E. Optional Services

36. List any other services that are routinely associated with master trust / master custody that you could provide to the participating entities, e.g., performance and accounting, either included or at additional cost to clients.

SECTION III - AUTOMATION AND COMMUNICATION

A. Hardware and Software

37. Provide a brief list of major systems supporting the custody service and how these systems are integrated. For each, identify the source of the original system, the development date, the extent of internal development, and any scheduled plans for updates.
38. Describe the hardware/software platform(s) on which the master custody systems operate. What effect on your system's capacity would the addition of the state-wide custody contract have on your systems and capacity during the first 12 months?
39. How many times in the last two years has an outage occurred in either computer systems or communications facilities that caused an interruption or delay of service to one or more of your clients? What was the longest and approximate average duration of such outages? What were the causes and how were the problems corrected? Describe redundancy, if any, built into your computer systems and telecommunications facilities for the purpose of minimizing system outages.

40. Describe your on-line system that is provided to clients. Include the length of time it has been offered to clients, and the percentage of your custody clients that utilize the on-line service.
41. What are the requirements to access your on-line system, and what provisions are made for training client personnel?

B. Communications

42. (A) Describe the communications systems (including electronic systems, telex, fax, etc.) used for receiving trade instructions and providing information to clients.
(B) Specify all hardware and software components that must be installed on the various client systems to connect to the communications facility.
(C) Which options would be available for participating entities to choose?
43. If your system provides on-line information in a customized reporting format, discuss the custom reporting flexibility and limitations and the compatibility with Microsoft Excel, Microsoft Access, and other PC based software.

C. Security

44. What are your security procedures to protect customer information, especially with respect to unauthorized access to data?
45. Describe your process for file back-up and off-site storage, including the frequency and location of the data and software. If the location is confidential, describe the physical conditions of the storage location and approximate distance from your primary computing facility.
46. Describe your system for prevention of damage by fire.
47. (A) Describe the procedures and provisions you have implemented to be employed in the event of disaster, equipment failure, or other circumstances which would disable your primary processing site(s).
(B) Include the results of your most recent test of each plan and the date of the tests.

D. Transition and Conversion

48. Please discuss the procedures used to transfer securities and cash from a prior custodian or dealer to control the risk of loss of investment securities and assure that they are received and accounted for properly.
49. (A) Describe the transition and conversion process you would employ for the participating entities in the statewide securities custody contract. In responding to this question assume that 12 entities would be ready to utilize your service at the inception (April 1, 2012) with other entities beginning at regular intervals thereafter.

(B) What would you estimate to be a reasonable transition period for participating entities that would be ready to utilize the contract at its inception?

(C) Please provide a detailed conversion and transition plan identifying all tasks to be completed with specific target dates and the amount of participating-entity employee involvement in each task.

(D) Who would be responsible for coordinating the transition and conversion process for the bank? If this is someone other than the ongoing relationship manager please provide resume(s).

(E) As the new custodian bank, are you willing to provide incentives to the entities transitioning and converting to a new custodian bank. What kind of incentives could you provide?

50. What additional planning and training would need to occur with participating entities' staff, current master custodians, and with your depositories?

51. **(A)** What are your expectations with regard to the roles and responsibilities the participating entities and your organization have in identifying and resolving reconciling items between the prior custodian's system and the new system?

(B) What resources will your organization provide in this effort?

SECTION IV – FEE SCHEDULE**A. Fee Schedule**

This schedule is meant to allow vendors to address all costs of services. **Please ensure that all costs associated with services to be provided are included.** Any fee not fully documented in your proposal will not be allowed. Provide sufficient detail so that the total annual costs of a hypothetical entity may be calculated if the portfolio size, activity, and required services were all known. Be sure to denote any minimum or maximum fees, fees for multiple portfolios, or fees that are based on portfolio size, along with an explanation of how those fees would be determined. Also include timing and method of billing clients.

Proposed Fee Schedule

Fee Description	Fee Charged	Comments
Administrative Fees:		
Issue Holding Fees:		
Market Value Charges:		
Transactions:		
Purchases		
Sales		
Maturities/Calls		
Paydowns		
Income Payments		
Outgoing Wires		
Incoming Wires		
Technology Fees:		
Other:		

B. Annual Costs of Specific Entities

From the information presented below for four hypothetical participating entities calculate the total annual custody fees to be paid by each entity.

Entity #1

- Number of Portfolios 1
- Portfolio Size (\$ in millions) 13
- Securities Held 25
- Annual Activity
 - Purchases 14
 - Maturities 14
 - Income Payments 50
 - Fed Wires:
 - Outgoing 25
 - Incoming 20
- Fax Trades Instructions
- Reports via Mail
- Portfolio Composition 100% Treas/Agency

Entity #2

- Number of Portfolios 3
- Portfolio Size (\$ in millions)

	<u>#1</u>	<u>#2</u>	<u>#3</u>
15.0	3.0	2.0	
- Securities Held

15	6	4
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- Annual Activity

Purchases	8	3	2
Maturities	8	3	2
Income Payments	30	12	8
- Fed Wires:

Outgoing	30	12	8
Incoming	10	5	3
- Fax Trade Instructions
- Reports via Mail
- Portfolio Composition All portfolios-100% Treas/Agency

Entity #3

- Number of Portfolios 1
- Portfolio Size (\$ in millions) 137
- Securities Held 55
- Annual Activity
 - Purchases 16
 - Sales/Maturities 20
 - Paydowns (P&I) 36
 - Income Payments 75
 - Fed Wires:
 - Outgoing 60
 - Incoming 30

- Fax Trade Instructions
- On-line Report Access
- Portfolio Composition

90% Treas/Agency
10% Commercial Paper

Entity #4

- Number of Portfolios

1

- Portfolio Size (\$ in millions)

218

- Securities Held

75

- Annual Activity

Purchases	40
Maturities	40
Income Payments	125
Fed Wires:	
Outgoing	80
Incoming	50
- Fax Trade Instructions
- On-line Report Access
- Portfolio Composition

80% Treas/Agency
15% CP
4 % Munis

SECTION IV – MODEL CONTRACT GENERAL TERMS AND CONDITIONS

Appendix A contains the model contract. The negotiated contract is expected to contain substantially the same general terms and conditions. To be responsive to this RFP, financial institutions must indicate, in writing, their acceptance of all provisions of the model contract, or indicate those provisions they do not accept and include the substitute language they are proposing. Unless a financial institution has indicated in its response to the RFP that they do not accept a provision or provisions in the model contract, they may propose revisions to the model contract for clarification or of a technical nature only during the contract negotiation phase.

The response to this section of the RFP Questionnaire will include your acceptance of all provisions of the model contract, or an indication of those provisions that you do not accept. In the latter case, you are to provide substitute language you are proposing, or indicate “none” if the intent is to eliminate the provision entirely.